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Authoritarianism and the Rentier State - Venezuela and Nigeria

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“Authoritarianism and the Rentier State - Venezuela and Nigeria”

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Table of Contents

I.	Abstract.....	p 2
II.	Introduction.....	p 3
III.	Literature Review.....	p 5
IV.	Overview of Case Studies.....	p 13
V.	Historical and Colonial Context.....	p 14
VI.	Nationalization.....	p 19
VII.	Analysis.....	p 29
	A. A Rentier Effect.....	p 29
	B. A Repression Effect.....	p 31
	C. A Modernization Effect.....	p 33
VIII.	Conclusion.....	p 34
IX.	Bibliography.....	p 36

I. Abstract

The oil states scattered throughout the developing world are no more democratic or peaceful than they were at the beginning of the twentieth century's natural resource era. In fact, some countries are worse, tainted by civil unrest, plummeting per capita income, and rising inflation. These socioeconomic ailments are often referred to as the Resource Curse or Dutch Disease. Mineral wealth, however, should not be confused with the dangers of sole oil wealth. The oil states are significantly more likely to be governed by authoritarian leaders. The irony of oil's unusual properties of fluctuating prices and secretive contracts do not solely prevent development, but they also do not promote it. Geologically blessed nations have been noted to possess fewer opportunities for economic and political mobility. A key clarification is that this is an overwhelming problem for low and middle-income countries, not wealthy industrialized nations. In my thesis, I examine Venezuela and Nigeria's democratic experiments' failure resulting in the effects of rentier failure, repression, and lack of modernization concerning their oil affluence. Fiscal revenue from their oil sectors became indistinguishable from government profit and size, dismantling the checks and balances constraining their respective leaders funded by rents.

II. Introduction

The oil industry reshaped international trade in the twentieth century. Conflicts arose in the name of democracy. Beneath the independization of many developing nations and former colonies existed petroleum, black gold, as political scientists poetically call it. The limited substance was brought forth in priority within the economic landscape as the industrial revolution reconstructed our notions of transport. The emergent nations lucky enough to find extractable plethoras of the novel currency found themselves in the eye of a political storm instigated by the inconsistency of oil prices, the industry's consequent lack of transparency, and sizable militant regimes. I concentrate not on the underdevelopment of these nations, but on the causal mechanisms that impeded what should have been astronomical economic and political growth.

I study the relationship between a considerable petro-economy and authoritarian regimes through an anthropological approach of inquiry, acknowledging colonial and contemporary oil sector nationalization peculiarities, to follow the thread of economic and political oil corruption. Venezuela and Nigeria sit on opposite sides of the globe, yet the outcome of their democratic experiments is overwhelmingly similar, despite the distinct instances preceding it. This can be explained by political science professor, Michael L. Ross', three causal mechanisms of impeded democracy in the petro-state, a rentier effect, a repression effect, and a modernization effect. The instances may vary in both countries but they can certainly apply to one of the methods.

This paper is organized as follows: a literature review offering academic context of my most valuable scholarly contributions, relevant historical intricacies of the case studies, the nationalization of their oil sectors concerning their respective turbulent ruler, incorporation of the

aforementioned causal mechanisms, and a conclusion. The study of these two oil titans cannot be simplified into homogenous political and economic approaches. Rather, the seemingly insignificant minutiae of their trajectory can be unpacked and conclude transcendent causal tendencies. The following quote and its three mechanisms will serve as my evidentiary support for the struggling democracies and their causations/effects:

“The oil-impedes-democracy claim is both valid and statistically robust; in other words oil does hurt democracy There is at least tentative support for three causal mechanisms that link oil and authoritarianism: a rentier effect a repression effect and a modernization effect.”

Michael Ross¹

As oil prices became more intertwined in the size and structure of their governments, Venezuela and Nigeria’s nationalization of the oil sector became the monetary foundation for the abuse of resources, funds, militia, and power. The unorthodox properties of oil revenue demand strong institutions and by comprehending their weaknesses we can continue to narrow the margin for that possibility.

The scholarship is more prevalent now more than ever. As a consequence of our modernity, we have been inundated with the plausible consequences of climate change and its effect on our quality of life and our natural resource economy. The petro-economy has served as the backbone of developing nations' wealth. As our mineral economy landscape alters around natural resources' exhaustion, we must evaluate the potential devastation for the already financially feeble developing world. The study of resource-wealthy low to middle-income

¹ Michael L. Ross, “Does Oil Hinder Democracy?,” *World Politics* 53, no. 3 (2001): pp. 325-361, <https://doi.org/10.1353/wp.2001.0011>.

nations offers a valuable insight into a future where our natural resources have been irreparably strained, and our international political terrain has been dilapidated because of it. How an oil economy promotes authoritarianism is also indicative of its prowess and fearsome possibilities. The commonality in Venezuela and Nigeria is a blatant disregard for other sectors of the economy, including agriculture, education, and service. Without anything else to fall on, we could be on the brink of autocratic regimes above the antiquated oil infrastructures' graves.

III. Literature Review

Prior to 1960, the international global market was dominated by “the seven sisters” - alluding to the greek myth of Pleiades. Much like how the mythological sisters converted into eternal stars by the hands of Zeus himself, the companies acquired a certain immortal ferociousness whilst competing amongst one another with familial like tenacity. Anthony Simpson, explores these early developments in the oil industry in his award-winning book, *The Seven Sisters: the Great Oil Companies and the World They Made*. These seven companies – five American, one British, one Anglo-Dutch - established their precious fuel as a major global currency by the twenties, when the second industrial revolution cemented and commenced our dependence on automobiles and oil-fueled engineering as we know it today. The oil industry has always been problematically secretive. As the seven sisters ventured abroad, they worked in increasingly foggy consortia to reach secret understandings in pursuit of a less volatile market in their favor. After the world wars, the diplomacy of oil had become so bitter, governments delegated the politics of oil to the oilmen.²

² Anthony Sampson, “Chapter 4,” in *The Seven Sisters: the Great Oil Companies and the World They Made* (PFD, 2009), pp. 58-61.

Notorious oil journalist, Ian Seymour, explored the effect of this historical context throughout his long tenure as editor in chief of “MEES” - a prevalent oil publication as well as his book, *The Foundation of OPEC*. The aforementioned concession system can be defined as one in which the private owner, or the state, has the right to grant leases and concessions at their discretion. This doctrine applies to almost every mining country and its origin is regalian in defence of the crown’s or metropolises prerogative. It was not dismantled until the 1960’s. The precedent was one in which giant multinational corporations (the seven sisters) were contractually permitted to determine how the prices upon which the royalty and tax income of the oil exporting governments were calculated. Initially, the producer governments exhibited no qualms about these agreements until 1959-60 when their silence resulted in the reduction of tax reference prices, costing the producing countries a 15% loss in revenue. The governments of oil-rich nations began to resent these companies' power. Their control deprived the oil producing nations of their own assets - siphoning off revenues, and forcing more or less oil extraction than deemed beneficial for the host nation itself.³ This sparked the outrage responsible for The Organization of the Petroleum Exporting Countries, a governmental counterforce, otherwise known as OPEC, on September 14, 1960.⁴

The foundation of OPEC in addition to demand growing as oil supplies grew more scarce changed virtually everything about the oil industry. These developments of the 1970’s informed the dynamics of oil centric international relations and economics as we understand them today. The United States became less dependent on national production and the Bretton Woods system

³ Michael Lewin Ross, “Chapter 1: Paradoxical Wealth of Nations,” in *The Oil Curse: How Petroleum Wealth Shapes the Development of Nations* (Princeton, NJ: Princeton University Press, 2013), pp. 1-30.

⁴ Ian Seymour, “The Foundation of OPEC,” *Opec*, 1980, pp. 18-38, https://doi.org/10.1007/978-1-349-05794-8_2.

of fixed exchange rates collapsed. Most notably, essentially all developing oil-exporting countries nationalized their petroleum and consequent state-owned companies to manage them. Nationalization of oil enterprises enabled governments to fund themselves not through citizen taxation but through their oil companies - instigating secrecy in revenue reporting.

Nations abundant in oil wealth can qualify as rentier states, and rentierism can hinder successful state building as it employs material welfare as consent. The concept of a rentier state originated from studies about the Middle East.⁵ A rentier state is one in which the economy is dependent on external rent for state revenues. The concept of a rentier state originated from studies about the Middle East.⁶ The “rentier” economy and political system is largely dependent on accumulating external revenues otherwise known as rents. The income from gas, oil, and other minerals is “the income derived from the gift of nature,” or rents.

This is relevant to the most important fact about oil and the reason why it leads to so much trouble in developing countries. “The revenues [oil] bestows on governments are unusually large, do not come from taxes, fluctuate unpredictably, and can be easily hidden.” Michael Ross, an economist and oil scholar at UCLA, establishes this principle as the core issue in the Resource Curse: the nickname for the inverse associations between development and oil wealth.⁷ Studies indicate that oil has resulted in slow economic growth for developing countries as it damages state institutions - hindering bureaucratic efficiency, enabling corruption, and undermining the law. Essentially, the curse focuses on the developmental shortcoming associated with a rentier economy.

⁵ Rolf Schwarz, “From Rentier State to Failed State: War and the De-Formation of the State in Iraq,” *A Contrario* 5, no. 1 (2008): pp. 102-113, <https://doi.org/10.3917/aco.052.0102>.

⁶ *Ibid*

⁷ Michael L. Ross, “Does Oil Hinder Democracy?,” *World Politics* 53, no. 3 (2001): pp. 325-361, <https://doi.org/10.1353/wp.2001.0011>.

Scholars and journalists utilize the terms “Resource Curse” and “Dutch Disease” interchangeably, but they are not. The latter is an economic term with a narrow definition, per Ross: “it is the process that causes a boom in a country’s natural resource sector to produce a decline in its manufacturing and agricultural sectors.”⁸ As the resource sector thrives, it steals labor away from manufacturing and agriculture whilst raising their production costs. Consequently, as money from the aforementioned boom starts rolling in, it raises the exchange rate, making imports much cheaper than domestic production. The Dutch Disease makes some industries smaller and other service (oil) companies much larger through contracts. An oil economy does very little to aid the other parts of the economy and leaves the remaining businesses even more vulnerable.

Measuring democracy is extremely difficult to do - attempting to do so would imply each nation is a homogeneous unit - which they are not. Most scholars would agree with famed Polish, democratic societies political scientist, Adam Przeworski and his four qualifications of democracy:

1. The government's chief executive, whether prime minister or president, must be elected.
2. Legislature must be elected.
3. Minimum of two large political parties in competition with one another and in pursuit of bipartisan dialogue.
4. At least one incumbent government must be defeated and replaced by an elected successor.⁹

⁸ Ibid

⁹ Adam Przeworski, “The Mechanics of Regime Instability in Latin America,” *Journal of Politics in Latin America* 1, no. 1 (2009): pp. 5-36, <https://doi.org/10.1177/1866802x0900100102>.

Petroleum itself does not explicitly block democratization - it does however aid in sustaining authoritarian regimes by enabling them to reduce taxes, buy the army's loyalty, increase spending, and conceal their own corruption and incompetence. So, although there is no ironclad explanation, oil and democracy do not mix easily. No taxation often equates no accurate representation.

The question of whether or not oil wealth undermines democracy has been heavily debated in scholarship since the 1980's when it was observed that oil revenue heightens the possibility of civil war and can aid an authoritarian in staying in power. However, Michael Ross, whose causal mechanism research has been utilized as the guiding thread of this thesis, disproves these studies based on the "fallacy of unobserved burdens." Ross concludes the problem is not slow growth, but what should have been colossal growth given the enormous profit these governments have amassed.¹⁰

Stephen Haber and Victor Menaldo explore a fairly similar conclusion to Michel Ross' in their essay - "Do Natural Resources Fuel Authoritarianism? A Reappraisal of the Resource Curse."¹¹ They found that "pooling the data comes at a very large cost: omitted variable bias produces spurious inferences; outliers drive regression results; and results are sensitive to the measure of resource dependence on which the researcher chooses to focus." Essentially, there is no generalizable law about the impact of natural resources on regime style. Their evidence does not support the notion that there are systematic resource curse effects - at least to the extent that conditions manifest differently in resource wealthy nations Polity Score upon resource discovery

¹⁰ Michael L. Ross, "Does Oil Hinder Democracy?," *World Politics* 53, no. 3 (2001): pp. 325-361, <https://doi.org/10.1353/wp.2001.0011>.

¹¹ Stephen Haber and Victor Menaldo, "Do Natural Resources Fuel Authoritarianism? A Reappraisal of the Resource Curse," *American Political Science Review* 105, no. 1 (2011): pp. 1-26, <https://doi.org/10.1017/s0003055410000584>.

and independization. Venezuela had an extremely low Polity Score at the time of independence from Spain whereas Nigeria had a high one upon independence from Britain. Yet, they both failed to properly consolidate democracy.

Adam Przeworski gathered that countries that established democracy when they have a higher income are more likely to succeed at sustaining them. He argued this is why the transition from monarchy to democracy was so successful in Europe whilst still unstable in the developing world today.¹² The conventional wisdom of correlations between income per capita and democracy have been rebutted by political science scholars Simon Johnson and Pierre Yared. Instead, they gathered that it is colonial history and its accompanying idiosyncrasies, meaning peculiar characteristics, that shape the democratic outcome of former European colonies.¹³ The tendencies created by this conclusion, the effects of colonialism, can be alleviated after economic crises dismantle dictatorships, making democracies more plausible. Yet, the more petroleum an already autocratic country produces, the less likely it will become democratic.¹⁴

“The Oil Curse” by Michael L. Ross¹⁵ heavily explores the relationship between democracy and oil wealth. Ross and all the scholars I have previously addressed determine secrecy as the biggest enabler of authoritarianism in rentier states dependent on oil income. Secrecy is defined as the oil wealthy government’s ability to maintain domain over the contracts and transactions of their oil industry. Taxation in rentier states derives from oil rents and

¹² Adam Przeworski, “The Mechanics of Regime Instability in Latin America,” *Journal of Politics in Latin America* 1, no. 1 (2009): pp. 5-36, <https://doi.org/10.1177/1866802x0900100102>.

¹³ Daron Acemoglu et al., “Income and Democracy,” NBER, March 21, 2005, <https://doi.org/10.3386/w11205>.

¹⁴ Michael Lewin Ross, “Chapter 3: More Petroleum, Less Democracy,” in *The Oil Curse: How Petroleum Wealth Shapes the Development of Nations* (Princeton, NJ: Princeton University Press, 2013), pp. 63-109.

¹⁵ Michael Ross, *The Oil Curse: How Petroleum Wealth Shapes the Development of Nations* (Princeton University Press, 2013).

therefore releases the government from the more typical degree of expected accountability. The classified nature of a rentier economy hampers dialogue between the people and their government. Transitions to democracy are certainly possible - they're not easily met with success.

In 1998 two of the world's largest oil exporters crossed one another as they embarked on two very separate journeys regarding democratization on the "Varieties of Democracy" (V-dem) liberal democracy index. The V-dem project is an international collaboration based in Gothenburg University. They aim to garner global data, with coverage expanding 228 years, from 1978 to 2017. The database includes 200 political units and over 450 indices of democracy. The liberal democracy indicator measures protection of the individual's liberty and property by law.

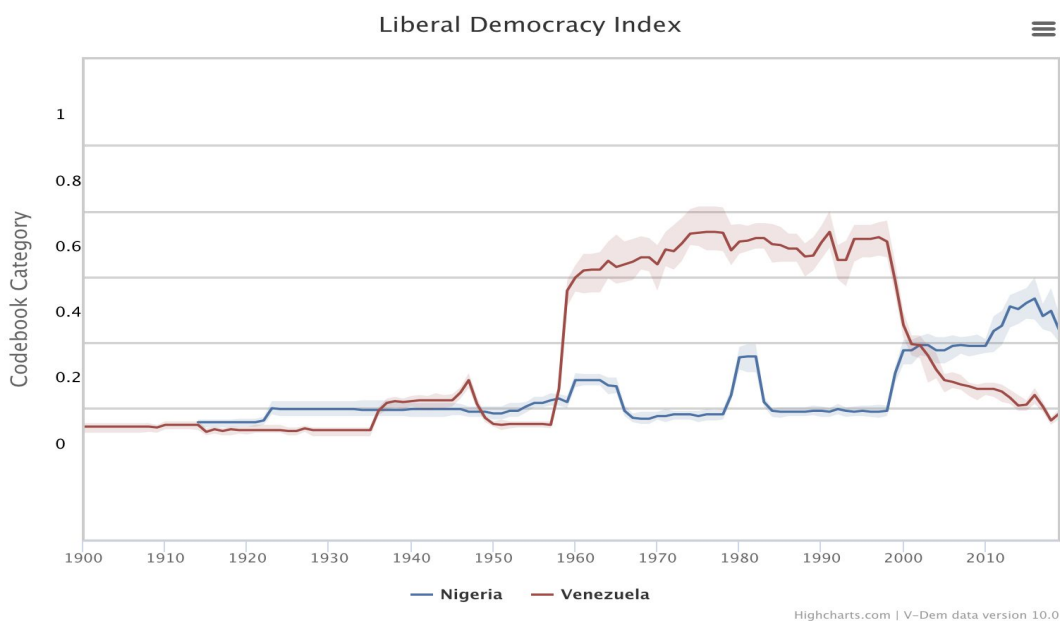


Figure 1¹⁶

¹⁶ "Global Standards, Local Knowledge," V, accessed September 10, 2020, <https://www.v-dem.net/en/>. "Global Standards, Local Knowledge." V. Web.

In Venezuela, the successful streak of democratization plummeted when President Hugo Chavez took office in 1998. It has been on the downturn ever since. Authoritarianism and political turmoil continues to plague the nation whilst their petroleum infrastructure collapses and inflation increases. In Nigeria, 1998 marked the end of the Sani Abacha regime which is reported to have stolen over 40 billion dollars in oil revenue from 1993-98.

The two nations have partaken in different approaches to international and domestic relations since 1998. Their oil industries have also undergone a plethora of changes informed by their respective governments and foreign intervention or cooperation. Corruption is defined as the private annexation of state resources. Both nations are ranked extremely high in the “corruption perception index” of 2019 by Transparency International, despite Nigeria’s democratic pursuits of representation, regardless of mass citizen taxation. Venezuela is currently ranked 173/198 while Nigeria is ranked 146.¹⁷

In this thesis, I explore the modern oil industry as the product of colonial and imperialist ideologies. Scholars thus far have placed ample emphasis on the Mideast when exploring the antidemocratic effects of oil. I fill the gap in the conventional political science approach of “resource curse” vs. the economic “dutch disease” scholarship by comparing and contrasting the events leading to and succeeding the crossroad of 1998 for Venezuela and Nigeria through an anthropological lens. Both nations host massive oil reserves and have been accused of the secrecy most scholars have appointed as the culprit in tarnishing democratic principles. I will uncover where the secrecy differed in “enabling” democracy for Nigeria whilst enabling authoritarianism in Venezuela - also, determining just how effective these “democracies” truly

¹⁷ “Corruptions Perceptions Index 2019 for Nigeria & Venezuela.” Transparency.org. Accessed September 21, 2020. <https://www.transparency.org/en/countries/>.

are through the guise of corruption and quality of life moving forward in the fickle dependency of nature's bounty. Democracy proves to be just a blimp in the timeline of both these nations - I uncover and rationalize why.

IV. Overview of Case Studies

The social contract theory is almost as old as the political sciences themselves. It is founded on the idea that each citizens' obligations are mandated in an unspoken agreement with their government. Socrates, Hobbes, Locke, and Rousseau toyed with this ideology in an attempt to understand the complexities of a political human society. In the 20th century - the stakes and currencies of the global community shifted as the industrial revolution washed away antiquated imperialist ideas and imagined global borders.

Our global dependency on petroleum heightened, rearranging the international relations landscape in the process. The social contract adjusted accordingly. Oil wealthy nations established a particular fiscal and behavioral dynamic between the government and the people. Historically, a taxed citizen will hold their government accountable and see to it they get their money's worth. A transactional relationship between the state and its citizens will result in higher engagement with political affairs. However, a rentier state, in which the government's receive their revenue from rents/taxes acquired through mineral wealth - deprives the people of an interactive correspondence with their sovereigns. Consequently creating a political environment devoid of valuable cooperation with the masses.

There is a political, social, and historical moment that is galvanized in the paradox of oil wealthy nations. My aim is to gain a deeper understanding of such whilst comparatively untangling the nuanced components of the Venezuelan and Nigerian petro-states. I will employ

an anthropological approach, studying the past to explain the present (1998 onward,) discovering the social contract of modernity within the global scope of nationalization vs. multi state, and identifying the motifs behind the seemingly impossible task of overcoming oil dependency through an objectively successful democracy.

Michael Ross' definitive three causal mechanisms: “ a rentier effect, a repression effect and a modernization effect.”¹⁸ linking oil and authoritarianism will be utilized as my guiding framework, and evidence, to dissect the democratic pursuits of Venezuela and Nigeria in addition to the imperialist and colonialist residue that inform the economic and societal progress of ex-colonies and developing countries.

V. Historical and Colonial Context

Venezuela

The Venezuelan petro-state has existed in ideology since before colonization. The indigenous people of Venezuela would utilize asphalt for the caulking of canoes, setting a curious precedent for just how pivotal oil would become for transportation and mobility. Spanish conquerors arrived in the sixteenth century (1498) - and by 1522, Venezuela, then a collection of provinces, became the first permanent Spanish colony. The Spanish crown paid little attention to Venezuela at the time, their main priority was the extraction of precious metals. Venezuela however, was an agricultural wonderland trading with the British, French, and Dutch. This would soon change as the Spanish gradually began to take note of the indigenous way of life. They too started caulking their ships with bitumen. In 1539, the first documented shipment of

¹⁸ Michael L. Ross, “Does Oil Hinder Democracy?,” *World Politics* 53, no. 3 (2001): pp. 325-361, <https://doi.org/10.1353/wp.2001.0011>.

petroleum of what would become millions arrived in Spain from Venezuela, medicine for Emperor Charles V and his gouty arthritis.¹⁹

“No event in Venezuelan history can be separated from oil... It is the fundamental force that shapes national life... All aspects of the Venezuelan economy are the legitimate or bastard children of that substance that irrevocably stained our history”

- Domingo Alberto Rangel (Venezuelan politician)²⁰

The enlightenment and political epoch of the 17th and 18th century, paved the way for the ideologies that would result in Venezuela’s independence. El libertador, Simon Bolivar, was born into Venezuelan aristocracy. His privilege resulted in a European education heavily informed by the popular conversations of freedom, so he pledged to liberate Latin America from Spanish rule, which he did (more or less.) The cost of that ‘liberation’ was war and a dilapidated economy which sustained itself on coffee exports until the twentieth century when oil became everything.²¹

The beginning of the twentieth century marked Venezuela as the archetypical home of Latin American dictators. In 1935- the death of dictator Juan Vicente Gómez heralded the position of Venezuela as a major world oil exporter. It was also around this time when the once predominantly agricultural economy became a net importer of food. Gomez chose to reserve oil negotiations for the state rather than private landowners and companies in 1922 when the first substantial quantities were uncovered in the shores of lake Maracaibo. Administrations garnered

¹⁹ “Country Studies: Area Handbook Series,” The Library of Congress, 1997, <https://www.loc.gov/collections/country-studies/>.

²⁰ Iselin Åsedotter Strønen, “Venezuela’s Oil Specter: Contextualizing and Historicizing the Bolivarian Attempt to Sow the Oil,” *History and Anthropology*, 2020, pp. 1-24, <https://doi.org/10.1080/02757206.2020.1762588>.

²¹ Ibid

economic power every time they successfully increased their share of oil profits. It was not until 1958 that Venezuela achieved democratic stability after the failed experiment of 1945-1948.²²

The democratic period of 1958-1998 began after the elite led coup d'état took down dictator Marcos Pérez Jiménez. The masses led the resistance but the oligarchy controlled it. Democracy was not achieved to seize revenue from the elites. Rather, democracy was a natural continuation of authoritarianism when the bourgeoisie exchanged political power for the ability to make money. And so began the elites' self-defeating position as the "'coloniality of oil,' being defined by oil but simultaneously constantly striving to 'transcend its status as a petrostate' by way of the national project of development."²³ The goal was to beat the Resource Curse and emphasize the growth of other sectors; service, education, and agriculture. Consequently, this would enable upward mobility for the downtrodden and oppressed.

Nigeria

The Niger and the Benue rivers heightened colonial interest in Nigeria. The navigable rivers as well as the indigenous politics surveilling them became of great interest to the European British, French, and German traders in the 19th century. Indigenous leaders hoped to become allies to their colonizers and aided them in retaining power. The backdrop for this known time in the nineteenth century's New Imperialism is known as the "Scramble for Africa." This was the conflict among European nations for claiming African land and the benefits of its unknown raw materials in the forthcoming industrial revolution. Eventually, this concluded in a strong British political presence and non-regressive foothold on the nation.²⁴

²² Fernando Coronil, "Chapters 1-3," in *El Estado mágico: Naturaleza, Dinero y Modernidad En Venezuela* (Caracas, Venezuela: Nueva Sociedad, 2002), pp. 1-121.

²³ Ilse Selin Åsedotter Strønen, "Venezuela's Oil Specter: Contextualizing and Historicizing the Bolivarian Attempt to Sow the Oil," *History and Anthropology*, 2020, pp. 1-24, <https://doi.org/10.1080/02757206.2020.1762588>.

²⁴ Toyin Falola and Matthew M. Heaton, *A History of Nigeria* (Cambridge University Press, 2008).

Imperial business is a pivotal facet of European colonial rule. Nigeria is dissimilar to Venezuela in that it remained a colony well into the twentieth century. The oil historiography in the country is scarce. The British were reluctant to inspect for oil and hinder the colony's dependence on the metropole. We can begin significantly tracing oil's influence to 1903 when two distinctive companies began exploring the area. It was then noted that in a 400m squared territory in the region of Southern Nigeria there could be considerable amounts of oil.²⁵

By 1905, Nigeria Bitumen Company began explorations for oil around the country. The British had begun to take heightened interest in the otherwise average colony. The name is misleading since it belonged to the British. This is relevant evidentiary support of the British colonizers' domain of Nigerian resources - the company was listed on the West African Market of the stock exchange in London. 'Indirect ruling' became a trademark British practice as they ruled through local kings and chiefs in their protectorates. It was the easiest and cheapest way to justify colonial rule, yet it deprived the Nigerian people of the cohesive sense of identity we know as a nationalism.²⁶

The 1907 Southern Nigeria Mining regulation ordered that oil exploration concessions within the British Empire be conducted only by companies registered in Britain or their companies. This made the search for oil in Nigeria a British monopoly. Nigeria Bitumen Company was liquidated by 1914 due to lack of capital and British disillusionment with oil investments. The Nigerian companies and colonies could not respond to this in any which way, despite the ordinance being written without any consultation to 'Nigerian authorities.' Post 1918

²⁵ Ibid

²⁶ Phia Steyn, "Oil Exploration in Colonial Nigeria, c. 1903–58," *The Journal of Imperial and Commonwealth History* 37, no. 2 (June 2009): pp. 249-274, <https://doi.org/10.1080/03086530903010376>.

there is virtually no interest in Nigerian oil from the British and consequently no permitted foreign interest due to the ordinances.²⁷

Widespread urbanization followed the laboral needs of the colonial economy, hurting the internal economy. The economy mostly depended on cash crops of cocoa, groundnuts, and palm produce took a hit when the troop conscription of WWI and the following influenza pandemic wiped out a large portion of the population. European education was scarce in Nigeria and left at a primary level, making financial mobility highly unlikely. Frustrations and tensions rose by the 30's-40's as the Nigerian people began to unify through the rare Nigerian elites promoting patriotic ideologies. The call for independence through the 1950's resulted in the Federation of Nigeria on October 1st, 1960.²⁸

Commercial quantities of petroleum were found in the Niger Delta region. This region is extremely complex, religiously and ethno-linguistically. Upon independization the future appeared bright for Nigeria. There was potential for economic birth funded by mineral extraction. Instead, a decade of political turmoil followed, climaxing in the civil war of 67-70. The seventies were a time of oil prosperity, making Nigeria the wealthiest country in Africa. However, The “national question” of ‘who is Nigeria?’ remained. This question is often credited for the political and societal conflicts. The Nigerian borders were not established by the people but by their colonizers and the remaining ethnic and religious groups contested for federal power.²⁹

The wealth of the seventies further alienated the government apparatus from the people as oil wealth was poorly distributed among the elite. Military rule ran rampant from 1966-79

²⁷ Ibid

²⁸ Toyin Falola and Matthew M. Heaton, *A History of Nigeria* (Cambridge University Press, 2008).

²⁹ Ibid

only to take a break until 1983. A coup d'état in '83 marked a new era of military rule until the Abacha dictatorship was overthrown in 1998. Nigeria has been undertaking their democratic experiment ever since.³⁰

VI. Nationalization of Petroleum Industries

Venezuela

Venezuela was a model nation in the mid twentieth century. They produced around ten percent of the world's crude oil and their per capita GDP was exponentially higher than neighbors Brazil and Colombia. The country made initiatives to combat oil dependency, the renown resource curse, and dutch disease. I address one of these ambitions, Chavez' 'sowing the oil' initiative in the section 'The New PDVSA & Sowing the oil' later in this thesis. The latter half of the twentieth century resulted in unimaginable failure to that intended plan.

OPEC

In the spring of 1959, the Venezuelan Minister of Hydrocarbons, Juan Pablo Pérez Alfonso, was circulating prominent social circles in Cairo. There, he begins to conjure a plan in which oil-producing countries sustain power over their oil industries and are entitled to large fractions of its colossal wealth. A year later, 1960, his plan saw fruition through the formation of OPEC. Venezuela was a founding member and the only non Middle Eastern country to be included.³¹

³⁰ Justin Findlay, "Presidents And Military Leaders Of Nigeria Since Independence," WorldAtlas (WorldAtlas, August 1, 2019), <https://www.worldatlas.com/articles/nigerian-presidents-and-military-leaders-since-independence.html>.

³¹ Keith Johnson, "How Hugo Chávez Blew Up Venezuela's Oil Patch," Foreign Policy, July 2018, <https://foreignpolicy.com/2018/07/16/how-venezuela-struck-it-poor-oil-energy-chavez/>.

The following was a time often referred to as an economic bonanza. 1973 marked the beginning of a never ending spike in quadrupling oil prices.³² Oil became a national patrimony and resource nationalism was running rampant by 1975. President Carlos Andrés Pérez, alongside Pérez Alfonso, were determined to turbocharge development and maximize the state's involvement in the economy. Together, they nationalized Venezuelan oil (January 1st, 1976,) through the formation of national oil state company Petróleos de Venezuela (pdVSA.)³³

PDVSA Nationalized + Privatized Oil

PDVSA differed from its peers due to its global outlook. Executives had previously worked in foreign companies, adopting their structure. They were praised by the general Venezuelan public as well as the international oil industry for their cost efficiency plans and heightened professionalism.

Venezuelan oil production experienced a decline of over 50% between 1970 and 1985 - when production once again began to grow. The popularity of PDVSA began to tumble as they were perceived as an intransparent state within a state devoid of government interference. The once popular executives were left to chart the course of PdVSA and insulated themselves from rancorous public debates by framing oil industry policy as the exclusive purview of an elite group of qualified oil experts.³⁴

In 1997, Venezuela opened the doors to foreign investment. The following year production had recovered to 3.5 million BPD, close to its former peak. The economy was being aggressively privatized throughout the 1990's and the average country-men and women were

³² David E. Blank, "Sowing the Oil," *The Wilson Quarterly* (1976-) 8, no. 4 (1984): pp. 63-78, <https://doi.org/10.2307/40256783>.

³³ Ibid.

³⁴ Miguel Tinker-Salas, "Fueling Concern: The Role of Oil in Venezuela," *Harvard International Review* 26, no. 4 (2005): pp. 50-54.

beginning to feel left behind. The elites and the PDVSA executives had become renowned for their decadent lifestyles and the social contract of the past century that catered to the needs of the people so long as they didn't speak much - was no longer being employed.³⁵

The New PDVSA & Sowing the oil

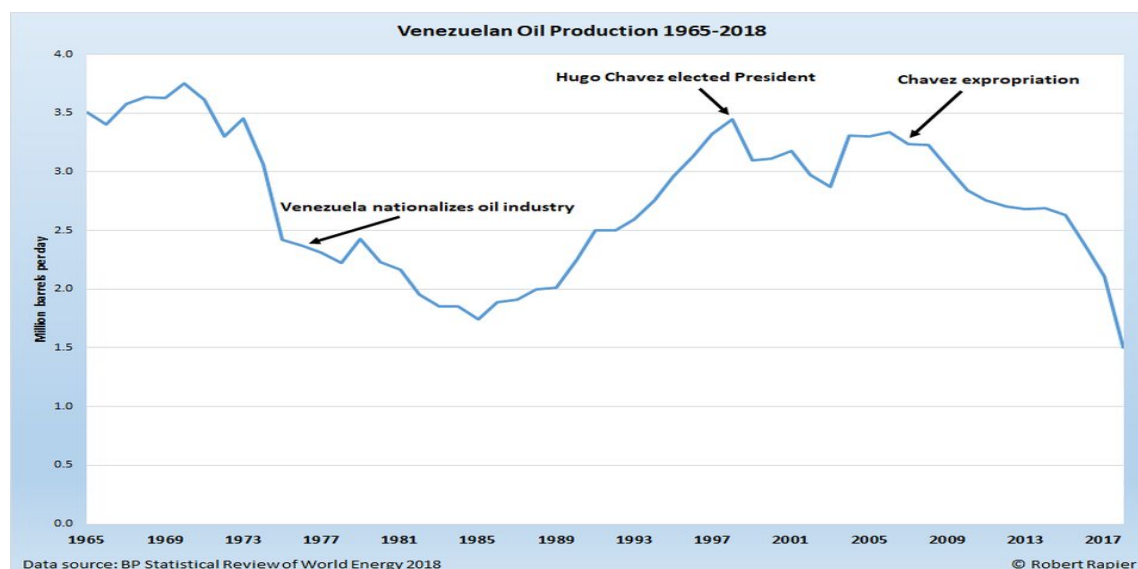


Figure 2³⁶

Sentiments of resentment towards the elite paved the way for the election of Hugo Chávez, a man whose entire political modus operandi was moral conviction and action against the ruling class. He decreed that privatization of the oil sector was illegal, and as a result issues arose between the bureaucracies and the PDVSA executives. Failed coups and shutdowns granted Chavez authority of PDVSA by 2003. He fired approximately 18,000 employees and replaced them with his inner circle of colleagues and loyalists. The removal of expertise from PDVSA and

³⁵ Dieterich, H. (2005). *Hugo Chávez y el Socialismo del Siglo XXI*, Barquisimeto (Venezuela), Ed. Carlos Morillo.

³⁶ Ibid

consequent removal of international expertise in 2007 made it all too hard for him to succeed in his mission of combating oil dependency and reliance on international aid.³⁷

The early aughts saw oil prices rise after Chavez incited the revived OPEC and created the ‘new PDVSA.’ His popular pledge was to repay the Venezuelan poor by ‘sowing the oil’ back into the economy through humanitarian and societal initiatives of development. Chávez would funnel billions of dollars into social programs when oil prices were high. But, he also failed to reinvest adequately in the capital intensive oil industry.³⁸

After the 2007 and expropriations of foreign oil companies - everything plummeted. “In 2007, there were already intermittent shortages,” said Patrick Duddy, who served as U.S. ambassador in Caracas from 2007 to 2008 and again from 2009 to 2010. “There was, at times, no milk of any sort on the store shelves, not fresh, not powdered, not condensed — and this was when oil prices were soaring. It was startling.”³⁹

Chávez died in 2013. He was succeeded by Nicolas Maduro. Venezuela was completely dependent on oil, making up about 90% of its export earnings. Lower oil prices in 2014 marked the beginning of an economic recession and consequent crisis. By 2018, Venezuela’s oil production had fallen more than 50%, 1.5 million BPD. These consequences are a result of mismanagement, poor infrastructure, and political turmoil.⁴⁰

³⁷David E. Blank, “Sowing the Oil,” *The Wilson Quarterly* (1976-) 8, no. 4 (1984): pp. 63-78, <https://doi.org/10.2307/40256783>.

³⁸ Robert Rapier, “Charting The Decline Of Venezuela’s Oil Industry,” *Forbes*, January 2019, <https://www.forbes.com/sites/rrapier/2019/01/29/charting-the-decline-of-venezuelas-oil-industry/?sh=5aeb1a894ecd>.

³⁹ Keith Johnson, “How Hugo Chávez Blew Up Venezuela’s Oil Patch,” *Foreign Policy*, July 2018, <https://foreignpolicy.com/2018/07/16/how-venezuela-struck-it-poor-oil-energy-chavez/>.

⁴⁰ Robert Rapier, “Charting The Decline Of Venezuela’s Oil Industry,” *Forbes*, January 2019, <https://www.forbes.com/sites/rrapier/2019/01/29/charting-the-decline-of-venezuelas-oil-industry/?sh=5aeb1a894ecd>.

Maduro's rise to power in April 2013 was not without outrage from the public. The opposition declared his vote to power was marred by fraudulent tactics and called for supporters to take the streets. By February 2014, the protests had become gory and opposition leaders were being unlawfully arrested on the grounds of fomenting unrest.

The Supreme Court had been appointed in majority by Chavez. After his passing, their loyalty persevered. In 2017, they announced their takeover of the National Assembly. The court quickly rescinded the statement but the protests it inspired had already left a bodycount.

The Maduro administration as well as his constituents have been constantly accused of undermining democracy. In 2019, he inaugurated another six year term, despite the results of the respective elections being deemed illegitimate by the international community. Consequent sanctions and shuns left the oil industry in further turmoil.

Nigeria

The Nigerian National Oil Company

Nigeria's economy prior to the 1960-70's was primarily agricultural. Under the control of General Yakubu Gowon, the country began to place heightened economic hope and pressure on the oil sector. The war with Biafra and the tedious decolonization process precipitated the need to tighten the grasp over the nations' economy and future. There was a prevalent desire to join OPEC and that mandated a 51% stake in the oil sector to acquire a voice in the pricing of crude oil prices. Prior to 1971, Nigerian involvement in oil had been through dealings and concessions with the foreign companies conducting the operations. The Nigerian National Oil Corporation (NNOC) was decreed in May 1971.⁴¹

⁴¹ Michael Watts, "Resource Curse? Governmentality, Oil and Power in the Niger Delta, Nigeria," *Geopolitics* 9, no. 1 (2004): pp. 50-80, <https://doi.org/10.1080/14650040412331307832>.

Success was abundant as per the company's profile; the Nigerian National Oil Company obtained a 33.33 % stake in the Nigerian Agip Oil Company, 35 % in Safrap, the Nigerian arm of the French company Elf. After Nigeria joined OPEC, NNOC acquired 35% stakes in Shell-BP, Gulf, and Mobil, on April 1, 1973. Also in 1973 it entered into a production-sharing agreement with Ashland Oil. On April 1, 1974, stakes in Elf, Agip/Phillips, Shell-BP, Gulf, and Mobil were increased to 55 percent and, on May 1, 1975, the NNOC acquired 55 percent of Texaco's operations in Nigeria.⁴²

The Nigerian crisis of identity prevailed long after independence, and it leaked into the nationalization of the petroleum industry. The Heads of the Federal Military Government of Nigeria and Gowon's successors, Murtala Mohammed and Olusegun Obasanjo, ruled amidst the oil boom of the 1970's. Interest groups in power protected their own, placing heavy influence on ethnic/tribal and religious affiliations. Cooperation at a state and tribal level was rewarded in order to instigate cooperation.⁴³ The Gowon regime became synonymous with corruption for the Nigerian population as well as the international community.

The NNOC had limited powers and close government control. Members of the government sat on NNOC's board and approved or disapproved the usage of funds at their discretion. The permanent secretary of the Ministry of Mines and Power chaired the board and oversaw all major decisions. Nigeria held the enviable status of the first tropical African country to adequately utilize their oil reserves. At least within the scope of adequate usage held in popular domain at the time. They were quiet about their fiscal details but their heightened presence in the international community was a dead giveaway.

⁴² Michael Watts, "Resource Curse? Governmentality, Oil and Power in the Niger Delta, Nigeria," *Geopolitics* 9, no. 1 (2004): pp. 50-80, <https://doi.org/10.1080/14650040412331307832>.

⁴³ *Ibid*

Indigeneity and Oil

Indigenous people are defined as the first to inhabit any given area. The term first reached the popular syntax in the 1990's. Colonized Indigenous people have been fighting erasure, genocide, and forced assimilation since the early endeavors of imperialism. They are minorities within contemporary societies fighting for ethnic continuation and domain over the lands they first inhabited.⁴⁴

The Nembe community in Bayelsa state is the originary point of Nigerian oil production. It is also ground zero for extraordinary oil inspired violence. It began in the 1980's when the Nembe council of chiefs began negotiating royalties and other benefits from the oil companies. At this time, the four Nembe oil fields produce approximately 150,000 barrels of high quality petroleum through joint operating agreements between the Nigerian National Petroleum Company (NNPC), AGIP and Shell.

Land rights and claims on royalties had been rooted in the 1969 Petroleum Law which granted the state the power to nationalize all oil resources. This, in addition to the reward system established by the federal government, resulted in a political hierarchy aided by corruption and self indulgence.

Indigeneity necessarily raises the question of a third governable space, that of the nation-state, an entity that pre-existed oil and came to fruition in 1960 at Independence. Colonial rule and decentralized despotism were synonymous, says Mamood Mamdani. Nigerian identity is heavily influenced by the post-colonial landscape of seeking an identity distinct from colonial

⁴⁴ Paulette F, Steeves, "Indigeneity," Oxford Bibliographies, 2018, <http://www.oxfordbibliographies.com/view/document/obo-9780199766567/obo-9780199766567-0199.xml>.

rule. However, Nigerian national identity is also amalgamated with the politics of oil which shun an agricultural state in preference to the petro-state.

The abundance and diversity of Nigeria's indigeneity as well as the disruptions of land rights and claims, is a pivotal informant of the Nigerian collective identity crisis that promotes authoritarianism due to lack of shared national interests.

Nigerian National Petroleum Corporation

The Nigerian National Petroleum Corporation (NNPC) was founded on April 1, 1977. Two years after a coup d'état resulted in Gowon's retirement. It was the successor of the NNOC. It aimed to explore oil revenue and export with greater freedom and commercial astuteness. In this time, oil prices plummet and Nigeria quickly undergoes an economic crisis.

Shutdowns and technical problems regarding maintenance hindered productivity. By the early 80's the NNPC was refining oil abroad to make up for the shortfalls. Additions of new refineries had refined Nigerian capacities to 445,000 barrels per day, well over the domestic demand. This changed by the early 1990's when gasoline demand was skyrocketing and the NNPC was pushed to proceed refining abroad.

In 1988, with the largest natural gas reserves in Africa, Nigeria produced 21.2 billion cubic meters per day, with 2.9 billion cubic meters used by the National Electric Power Authority (NEPA) and other domestic customers, 2.6 billion cubic meters used by foreign oil companies, and 15.7 billion cubic meters (77 percent) wasted through flaring.⁴⁵ Multinational giants Shell, Chevron, Mobil, Agip, Elf Aquitaine, Phillips, Texaco, and Ashland were all exploring oil resources in Nigeria, searching for oil and establishing plausible distribution

⁴⁵ "Country Studies: Area Handbook Series," The Library of Congress, 1997, <https://www.loc.gov/collections/country-studies/>.

patterns. Nigeria became the model of African democracy and prosperity, however this didn't mean much, juxtaposed with our Western understanding of liberal democracy.

General Abacha seized power in 1993 at the head of the third successful army coup, playing a pivotal role himself. His predecessor had annulled an election widely believed to be the most democratic vote ever organized in Nigeria. The general jailed the presumed winner, suspended the Constitution and declared a state of emergency. He pledged that he would hand over power to a civilian government, and even set a date to do so. This was the beginning of his executing and jailing anybody who could form a credible opposition.⁴⁶

The Sani Abacha dictatorship alone is reported to have stolen about 4 billion dollars whilst in power from 1993-1998. The end of the Abacha regime in 1998 marked the beginning of the current Nigerian democracy experiment - in which petroleum accounts for 70 percent of government revenue.⁴⁷

The Muhammadu Buhari Administration & The State Security Service (SSS)

Contemporary Nigeria has regressed to the authoritarian ruling of the 1980's. Muhammadu Buhari, the current president since 2015, served as military head of state from 1984-1985 after a coup d'état. His initial ruling was marked by heavy censorship of the media and expanded power of state security agencies. The Public Officers (Protection Against False Accusation) decree of 1984 forbade journalist statements in opposition to the government and resulted in the arrest of journalists and activists.

⁴⁶ Howard W. French, "DEMOCRACY TO DESPOTISM: A Special Report.; Nigeria, in Free Fall, Seethes Under General (Published 1998)," *The New York Times* (The New York Times, April 4, 1998), <http://www.nytimes.com/1998/04/04/world/democracy-despotism-special-report-nigeria-free-fall-seethes-under-general.html>.

⁴⁷ *Stephen Haber and Victor Menaldo, "Do Natural Resources Fuel Authoritarianism? A Reappraisal of the Resource Curse," American Political Science Review 105, no. 1 (2011): pp. 1-26, <https://doi.org/10.1017/s0003055410000584>.*

In 2015, Buhari condemned his prior political stances and declared himself a converted believer in democracy. He was then the first opposition candidate to become president through the ballot box. His campaign was full of promises for the often overlooked poor. Buharu's accompanying finance minister Kemi Adeosun promised increased funding in education and health infrastructures but failed to deliver. In 2017, the budgets for such made up approximately 5 percent and 3 percent respectively of the 7.4 trillion naira Nigerian total, about 19,371,727,400.00 United States Dollars. UNESCO recommends a benchmark 26% budget for education if a country hopes to meet the growing global educational demand.⁴⁸

On labour rights, the instability of oil prices heralded layoffs, a minimal national minimum wage, and a vast wealth disparity. Key figures from Oxfam's 2017 report on Nigeria's 'obscene' inequality: "In one day, the richest Nigerian man can earn from his wealth 8,000 times more than what the poorest 10% of Nigerians spend on average in one year for their basic consumption," "A Nigerian lawmaker received an annual salary of about \$118,000 international dollars in 2017 ... 63 times the country's GDP per capita (2013)."

Throughout Buharu's ruling and his 2019 reelection, Nigeria has slid further into extreme poverty whilst conflict has spread. The criticism of his administration has been recounted with repression. In 2018, the State Security Service, SSS, has intimidated the opposition by storming into the National Assembly. According to Human Rights Watch, ethnic and religious groups have been aggressively targeted. The Buhari administration has dictated two major religious and ethnic groups as terrorists, despite no clear evidence; The Shiite Islamic Movement of Nigeria (IMN), and The Igbo Indigenous Peoples of Biafra (IPOB). The former has been in conflict with

⁴⁸ Oreoluwa Runsewe, "Nigeria's Lack of Commitment to Eradicating Inequality Isn't Surprising," Ventures Africa, July 21, 2017, <http://venturesafrica.com/weekly-economic-index-42/>.

the Nigerian army since 2015 when the army accused them of attempting murder to their chief. The subsequent crackdowns have resulted in hundreds of deaths.⁴⁹

The Nigerian media grows increasingly concerned as the SSS abuses their rank and power and Buhari's administration becomes more accurately defined as a regime.

III. Overview

Venezuela and Nigeria are extremely similar countries despite their geographical differences. Colonial history and the legacy of its own idiosyncrasies, individual facets of the given place or thing, that inform the contemporary status of both countries. The size of their government in correlation with their petroleum industries has established a dynamic that does not fall into the general qualifiers of democracy. The three mechanisms brought forth by Ross are noted in both of the case studies in distinct but equally important ways as I showcase in the analysis.

VII. Analysis

In my case studies, I establish instances in which the three complementary causal mechanisms to link authoritarian rule and oil exports; a rentier effect, a repression effect, and a modernization effect, are most evident. These are linked through a chronological recounting of the respective governments and the relevant events of their oil industries. Authoritarian rule has run rampant throughout both Venezuelan and Nigerian history, with oil revenue as the key denominator in coup d'états, dictatorship, unstable economies, and floundering quality of life.

A Rentier Effect

⁴⁹ John Campbell, "Nigeria's Slide Toward Authoritarianism," Council on Foreign Relations (Council on Foreign Relations, January 15, 2020), <http://www.cfr.org/in-brief/nigerias-slide-toward-authoritarianism>.

The rentier effect argument claims that governments utilize oil revenue to alleviate social pressures that could otherwise be expected accountability on behalf of the people. This is the “taxation effect” in which sufficient oil revenue results in less taxation for the population. Typically followed by the “spending effect” in which the government spends great amounts of revenue on patronage.

The rentier effect is evident in Venezuela in a lot of ways. Oil prices are fluid and to rentier state’s misfortune they swing any which way on the pendulum of international relations. The economy of the Bolivian state became far too dependent on oil revenue. Oil came to account for approximately 96% of the total value of the country’s exports. Venezuela relies on international imports for agricultural products that were once domestically produced. These imports were financed by the aforementioned oil revenues. The Venezuelan government’s plethora of nationalizations expanded the state far beyond its capabilities. The insurmountable incorporation of militia and Chávez’s loyalists into the management of PDVSA and other state enterprises has resulted in massive mismanagement.

During the years of oil price bonanzas, all the surplus revenue was spent, and overspent, until the Chavez administration racked up high levels of debt. The lack of reserve funds set aside for the inevitable fluidity of oil prices became evident when the economy fell into a long lasting recession and the highest inflation in the world around 2013-2014.⁵⁰

Nigeria’s fifty years of substantial economic production has not resulted in notable socioeconomic development. In fact, according to The National Bureau of Statistics (NBS) recently released the “2019 Poverty and Inequality in Nigeria” the current poverty rate exceeds that of the period prior to the oil boom of the 1970’s. The desolate conditions in infrastructures

⁵⁰ Edgardo Lander, “The Implosion of Venezuela’s Rentier State,” Transnational Institute, October 2, 2018, <http://www.tni.org/en/publication/the-implosion-of-venezuelas-rentier-state>.

have left the average Nigerian population with virtually no opportunities for upward mobility.

The country has been marked and shaped by its consistent instability and its periodic uprisings of violent conflict.

Oil has been a motive for conflict and uprising in the Niger Delta region for the majority of its relevant production years. The deep economic crisis of the 1980's and 90's were linked to oil due to causal chains of mismanagement, indebtedness, and falling global oil prices. The NBS report can imply the average population of the Delta has felt that they were deprived of the fiscal benefits of oil whilst being hyper exposed to the disastrous ecological and social impacts of oil production. The elites have been capitalizing on these travesties through secrecy and monetary hierarchies instead of productive reinvestments.

The establishment of weak, ineffective, political institutions has fueled mismanagement and the development of 'informal political arrangements' informed on private profits for the actors involved. The oil industry is not very labor intensive - henceforth very few have privileged whilst high levels of unemployment have soared in Nigeria. As the government and the country's elites have fortified Nigeria's dependency on the resource sector, the agricultural sector has declined in parallel.

A Repression Effect

The repression effect notes that citizens of resource wealthy nations want democracy as much as anyone. However, resource wealth allows further funding of internal security with the hopes of blocking popular democratic aspirations.

The Venezuelan democratic experiment of 1958 marked the beginning of violent claims to power by both the elites and the general population. The motivation behind democratization was always monetary and so the transition from authoritarianism was not without corrupted

intent for fiscal opportunity. In low-middle income countries, oil-funded rulers can dismantle the checks and balances placed to constrain them.

Chavez utilized rising oil prices to fund projects among key constituencies, the military and low-income families. Their support was pivotal in eliminating independent checks on his authority. He implemented restrictions on the media and replaced Supreme Court judges he deemed unsupportive of his endeavors. Similarly, to what he did in PDVSA. Most notably, in February 2009, Chavez 'won' a national referendum, enabling him to sustain office indefinitely, removing term limits on public officials.

Nicolas Maduro, Chavez' successor oversaw the military attack on the opposition. The legacy of Chavez' military prowess continued to undermine freedom of speech long after his passing. The Venezuelan people have been continuously shut down when demanding rightful accountability from their government. The democratic principles of election and bipartisan dialogue have been combated through militia and unlawful interpretations of legality. It might be easy to counter this point by noting the increase of repression throughout the Maduro administration which has seen lower revenue. However, this is enabled by Chavez' aforementioned initiatives made possible during his administration and its adulation by the deceived Venezuelan public.

The military renounced power in Nigeria in 1998-1999. The country has been ridden with militia turmoil and involvement in politics since independence. Authoritarian regimes have left the country disarmed in unity and troubled due to internal conflicts of distinct ethnic origins as well as chief tribes in the indigeneity. Oil has exacerbated these problems by financing the militant groups involved. Oil wealth provided the structural basis for endemic corruption and

patronage, instigating involvement from various actors to retain the status quo of authoritarian rule.

The Buharu administration has seen the dangerous incorporation of militia in law and order materialized. Ever since his first power stunt in 1984, Buharu has been utilizing his power to dismantle the separation of government branches. Most importantly, Buharu's SSS have utilized their violent reputation as a means of intimidating the opposition leaders and media. This aggressive maneuvering of the country's master narrative is fundamentally undermining the democratic values Buharu swears to have adopted.

The tension between resource extraction and 'civil war' is exacerbated when resources are being produced in an area populated by ethnic or religious minorities.⁵¹ There are two major reasons for the repression effect: self-interest and ethnic and regional conflict. The latter is extremely evident in the Nembe community as depicted in the case studies. A larger military response could be a direct response to ethnic conflict.

A Modernization Effect

The modernization theory is a social mechanism founded on the notion that democracy is contingent on cultural and social changes. The two most important are: increased education levels and increased occupational specialization. The culmination of both result in a more articulate and autonomous workforce with a fair chance at standing up to the oppressive elites. The theory holds that if these changes are not materialized, then democracy will not be either.

⁵¹ Annegret Mähler, "Nigeria: A Prime Example of the Resource Curse? Revisiting the Oil-Violence Link in the Niger Delta," German Institute of Global and Area Scholars (German Institute of Global and Area Scholars, January 2010), www.giga-hamburg.de/en/system/files/publications/wp120_maehler.pdf.

Hugo Chavez spent the entirety of his presidency preaching to the oppressed people of the “barrios” about the resource income that belonged to them. As we have established, a petro-economy is closely associated with the decline of the agro-food industry. Chavez pledged to restore the latter through adequate investment of the former whilst promoting his socialist agenda.

PDVSA’s clean reputation of the 80’s and 90’s vanished throughout the early aughts once Chavez replaced its authority with his friends and loyal followers. He then placed PDVSA in charge of running his novel set of social reform programs, working towards his machinal political ethos. By 2003, its financial disclosures became increasingly murky and consequently difficult to monitor. The following year, two-thirds of PDVSA’s budget were solely dedicated to social programs rather than petroleum related activities.⁵²

The Chavez administration flirted with modernization yet failed to consummate on countless occasions. The premise behind sowing the oil was not only to restore quality of life for the poor but to establish alternative sources of income for a time when oil runs out. The entanglement of the oil industry and the state tainted potential due to insufficient technological and financial resources and legal limitations.

The National Bureau of Statistics (NBS) highlighted that 40 percent of the Nigerian population live below the country’s poverty line. The Nigerian Living Standards Survey (NLSS) is the official survey that is the basis for measuring poverty, including evaluating the fulfillment of the Sustainable Development Goals. OXFAM, an international NGO dedicated to reducing poverty around the world, ranked Nigeria last in wealth inequality between the elites and the

⁵² Michael Lewin Ross, “Chapter 3: More Petroleum, Less Democracy,” in *The Oil Curse: How Petroleum Wealth Shapes the Development of Nations* (Princeton, NJ: Princeton University Press, 2013), pp. 63-109.

poor. The key policy sectors utilized for the ranking were social spending on infrastructures particularity education and health. Nigeria's ranking is disappointing, especially noting the establishment of the United Nations' Sustainable Development Goal of reducing inequalities in 2015. The same year Muhammadu Buhari ascended to power.⁵³

The Buharu regime made a lot of promises regarding development and achieving the aforementioned goals. Yet, none of them were met. The necessary budgets for attainable occupational and educational mobility remain tragically low. There is little incentive on behalf of Nigeria's ruling elite to compromise the power hierarchy which has permitted them to amass grotesque fortunes at the cost of modernization.

VIII. Conclusion

The scholarly debate about the resource curse has existed since oil began informing our economic landscape. In well-established democracies, the correlations between oil income and authoritarian rule are less evident since they can merely aid incumbents' reelection without hindering democratic institutions. As we saw in Venezuela and Nigeria, both low to middle-income countries, oil-funded rulers can utilize the weak restraints on power to their advantage and finance themselves an authoritarian regime devoid of checks and balances.

Corruption and its entanglement with modernization are rooted in the colonial idiosyncrasies that established extremist tactics to gain and sustain liberty from the aforementioned well established imperialist and colonialist powers. As oil prices became more embedded in the respective governments' size and structure, their nationalization of the oil sector became the monetary foundation for abuse of resources, funds, militia, and power.

⁵³ "Nigeria Releases New Report on Poverty and Inequality in Country," World Bank, May 28, 2020, <http://www.worldbank.org/en/programs/lsm/brief/nigeria-releases-new-report-on-poverty-and-inequality-in-country>.

The anthropological, historical lense I utilized in writing this thesis contributes to the scholarship by isolating two oil giants' experiences in a way that considers the minutiae of their development and their attempts at democratization through Michael Ross' causal mechanisms of economic, political, and sociological nature rather than a homogenous simplification of solely political or economic theory. The two nations are shaped by the societal idiosyncrasies of centuries-old identity development or lack thereof.

More research must be conducted regarding our collective ability to hold rentier states accountable for their countercyclical oversights and short-sighted petro-economy tactics rather than on long-term development and growth, legally binding the size of petroleum revenues. The unusual properties of oil revenue should demand strong institutions at the time of beginning oil extraction. Still, scholars and political scientists should look ahead to enacting novel institutions that protect evidently feeble democratic experiments. The inherently limited nature of oil extraction implies inevitable finality to the industry and the constitutions it informs. As our international political economy morphs according to the climate crisis's ecological responses, we must take inventory of the resource wealthy developing nations' current socio-political statuses if we hope to alleviate the already shaky transition towards an eco-conscious world. It is a scholar's responsibility to rationalize the hindrances in democratic progress and rectify them via solutions. Resource wealthy nations are not necessarily completely devoid of progress, but they are certainly not nearly as mobile as their fiscal revenue should imply.

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